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MR. WALLEY'S ADDRESS

BEFORE THE

Boston Social Science Association,

APRIL, 1867.







"High Prices—Their Causes and Remedy."

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AN ADDRESS

DELIVERED BEFORE THE

BOSTON SOCIAL SCIENCE ASSOCIATION

AT THEIR MONTHLY MEETING,

APRIL, 1867,

BY SAMUEL H. WALLEY.

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BOSTON:

PRESS OF T. R. MARVIN & SON, 42 CONGRESS STREET.  
1867.

BOSTON, MAY 17, 1867.

HON. S. H. WALLEY,

*Dear Sir,*—At the request of several members of "The BOSTON SOCIAL SCIENCE ASSOCIATION," we, of the Board of Directors, respectfully request for publication, a copy of the very able and instructive paper upon "High Prices, their Causes, and Remedy," which was read by you at the last meeting of the Association.

GEO. B. EMERSON.

OTIS CLAPP.

DAVID WILDER.

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BOSTON, MAY 24, 1867.

*Gentlemen,*—Your note of 17th inst. reached me yesterday on my return to the city. The paper, to which you allude, was prepared at your request, to be read at the monthly meeting of the Association, but with no expectation that it would be published. I fear that your opinion of its merits is more favorable than it deserves. If, however, there is any probability that its publication would do good, especially that the sentiments it inculcates, would induce any of our people to adopt habits of economy, and forego useless and extravagant expenditures, I shall feel that my labor has not been in vain.

Yours, very truly,

SAMUEL H. WALLEY.

To

MESSRS. GEO. B. EMERSON,  
OTIS CLAPP, and  
DAVID WILDER.

## HIGH PRICES.

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OUR country has just passed through a fearful ordeal, in which all our thoughts and resources have been taxed to their utmost capacity, to devise ways and means to maintain life, in the body politic, till we should have accomplished the object of our struggle ; and since the war ceased, we have been busily occupied in securing, on a permanent basis, the results of our contest. For a time we hardly thought of consequences, or measured the exact risks we were incurring—so intent and eager were we, to preserve our country intact, and to hand down to our posterity the institutions of civil and religious liberty, delivered forever from the curse and taint of slavery.

We have attained our object, and at this moment, the prospects of a happy future for this great republic seem more certain to be realized, than at any previous period of our national existence. It becomes us *first*, reverently to acknowledge the good and guiding hand of a kind Providence, in watching over us and preserving our nation from imminent peril, at home and abroad, and securing to us such a complete deliverance. This done, we must be just to ourselves, and see that the country thus spared, and the citizens who survive, suffer no harm, by reason of unwise legislation. And this brings us directly to the consideration of the topic proposed for discussion.

Probably no one circumstance has more astonished the civilized world, in connection with our late war, than the ease with which the means have been obtained by the Government from the people, in a short space of time, for defraying the vast expenditures, which the war occasioned. One word is all that is required, to explain the manner in which so remarkable a result has been accomplished. That word is *Credit*. The people had a heart for the work, and, as it was in old time, when Solomon was about to build the Jewish temple, so was it with our Israel, they brought of all they had, to aid the Government.

With unshaken confidence in the wisdom and honesty of LINCOLN,—with perfect faith in the integrity of their cause, they gave their sons, themselves, and their wealth, to the country; and thus it was, that the credit of the Government endorsed by the people, furnished the means for conducting to a successful termination, this gigantic struggle. But we must bear in mind that it was *credit*—not *cash*. The war was a war of faith—fought in confidence, regardless of cost, provided the end was secured. The time has arrived, when it becomes us to take care of our *credit*, that this may suffer no detriment, but be kept untarnished.

We did not stop to inquire who was to be made rich, or who made poor; what articles were to rise in price, and what in value—these were incidental considerations, not to be heeded at the moment:—but the time has now arrived for us to examine their influence on our present condition and our future prospects.

In whatever manner *credit* is given, it directly affects *prices*. Take a familiar illustration;—A sells merchandise to B, on four months' credit—if he pays cash, he obtains a discount of four per cent.—in other words, if he takes the credit, he enhances the price of his goods, double the legal rate of interest, and the consumer must pay him so much more for the cost of credit than would have been required, if he had bought for cash. It was so with our country, in the

late conflict ; — we needed provisions and munitions of war, and they must be had on the best possible terms. (We do not stop to inquire whether the Government could not have maintained specie payments ; doubtless they might have done so for a longer period than they did, but probably not for the duration of so formidable and expensive a war, and one which was fought with so little previous preparation). The men must be fed and clothed, as well as armed, and for the vast amounts of expenditure thus incurred, the Government put forth its credit ; and of necessity they paid an additional sum for the credit, which sum was further enhanced, by the large contracts, that by their very magnitude prevented sharp competition and helped to swell prices.

Add to this, that our relations to foreign nations, during the war, were of that delicate and complicated character, which afforded rare opportunities to home producers and manufacturers to obtain high prices as a consideration for the unusual credit to which they gave the Government. This was threefold — 1. They were to be paid in paper promises. — 2. To be subjected to vexatious and perplexing scrutiny, by officials who rejected their fabrics on grounds often deemed unreasonable, and 3d, to be compelled, from the necessities of the Government, to long and perilous delays of payment, after actual delivery and acceptance of goods.

Like Government, like people. The scale of prices thus raised, on some articles, indispensable for the use of the Government, was applied generally, on all articles, to all classes of purchasers. Gold, not being required for any of the purposes of money, except for the payment of duties to the Government, and for a portion of the interest by the Government, became virtually demonetized — a mere commodity — and, offering no adequate check to the enhancement of nominal values, prices continued to rise, as the wants of the Government increased.

Speculation followed, as will always happen, when there is no corrective at hand, to foreshadow danger and punish the

abuse of wholesome credit. Speculation became very general, reaching all classes, even those who had been reputed conservative, sagacious, and even timid, many of whom suffered themselves, and a greater number suffered by the influence of their example.

In fine, these and such as these, were the causes that induced a great and very general rise in prices of all articles, not only of necessary consumption, but also of luxury. Unfortunately for us, foreigners, especially the Germans, had so much faith in the ultimate success of our cause, that they purchased largely of our national securities—and thus furnished the medium by which those who had suddenly acquired riches at home, were enabled to expend the wealth, thus easily gained, in the purchase of foreign fabrics and of useless and costly luxuries from abroad. But without speculating longer upon the causes of present inflation, we must accept our situation and congratulate ourselves, that however great the cost has been, we have gained enough, to compensate us for the outlay.

The problem for us now to solve, is, the remedy for our present abnormal condition. *How can we safely and successfully reduce the scale of prices?* This problem can never be solved, so long as we have an artificial standard of value, which is not the product of labor, and does not possess intrinsic value. In other words—*gold*, not *paper*, is the universal standard of value; and it matters not how strong our faith may be in the ultimate responsibility, integrity and honor of our Government, so long as it pays its promises by renewals—we cannot recover an equilibrium of prices, with those countries which maintain a currency, based upon an acknowledged standard of value.

The degree of depreciation may vary with changing circumstances, but after all, a currency, which is irredeemable, or not immediately convertible, must be depreciated, and will continue to foster high prices. Calling a bit of printed paper, a dollar, does not give that paper intrinsic value. Witness



the difference between a gold dollar, a "greenback" of the United States and a Confederate dollar: each bears the name of dollar, but how widely diverse the office which each performs.

Unfortunately, in some respects, *gold* at the present time, is cheaper than almost any other article, and hence a high tariff affords no reliable protection against competition of foreign labor; but this evil can only be corrected by contraction of the irredeemable currency to such a volume, as will put it in the power of the Government to pay its debts in coin; no rate of duty, however high, can accomplish the object.

It is supposed by some that our present currency is not superabundant, and that owing to various changes which the war has occasioned, we need all that is now circulating in the community.

After making all deductions, it is evident that there is a very large excess over the amount, formerly required, as appears from the following statement: —

Before the war, we had about two hundred and two millions circulation in Bank notes, and about eighty-eight millions in specie, held by the Banks, exclusive of the amount in the Sub-Treasury and of public hoard, which is variously estimated. We have now in greenbacks, about three hundred and seventy-six millions, and in Bank notes three hundred millions. We make no account of specie, as it is demonetized — and of the three hundred and seventy-six millions, about one hundred and five millions\* are held as reserve by

\*These figures are obtained from the returns made by the National Banks to the Comptroller, Jan. 1, 1867. The returns made in April, which have been published since this address was prepared, show an increase in the amount of Compound Interest notes held by the Banks and a corresponding decrease in the amount of legal tender notes. This however is immaterial, as the Compound Interest notes will all disappear in a short time, and a much larger amount of legal tender notes will be required to constitute the twenty-five per cent reserve, which the Banks are required to keep, than they now hold.

the Banks, (exclusive of eighty-two millions Compound Interest notes and sixteen millions coin) — leaving about two hundred and seventy millions legal tenders, and three hundred millions bank circulation now afloat in the community.

There is no satisfactory reason,\* exclusive of war taxes, and these are only partial and limited in their influence, to be assigned, why the necessities of life should cost much if any more than they did before the war; and with gold in circulation, and no paper but such as was convertible into gold, at the pleasure of the holder, no reason can be given why prices should not fall very materially, if not fully to their former ratio.

This being so, is it not the dictate of prudence, of sound judgment, of enlightened patriotism, of just regard to the rights of all, — is it not the way to reduce taxation, to bring the comforts esteemed necessities by many, within the

\*Perhaps this statement needs further qualification. The prices of some articles have fallen very materially, while others are as high, and even higher, than they were during the war — this fact shows that we must look elsewhere, than to a depreciated currency, for a satisfactory explanation of all the causes of the present high prices.

There is a marked difference between the cost of articles produced by machinery, and those which are purely the result of manual labor; — there is a great contrast between the comparative price of wheat and corn, on the one hand, and domestic cotton and woolen fabrics on the other.

Two reasons may be assigned for this difference: one is, the increased demand for articles of subsistence from the South and other points where productive labor has been materially lessened by the war; the other is the positive and acknowledged scarcity of cereals of all kinds. Why else should wheat be obtained from Chicago, to be used in the Southern part of Illinois? Why should flour command twenty dollars per barrel in Chicago? Why should corn bring one dollar and forty cents per bushel?

The simple truth is, we need an abundant harvest; — a good crop of cereals will bring down the price of all necessary articles of subsistence; this in turn will diminish the cost of living, and thus reduce the price of labor — and this will create a new demand for labor, for purposes of building and manufacture; — and abundance of food, with an improving currency are the sure precursors to returning soundness and prosperity.



reach of multitudes, now excluded from the possibility of bringing up families, — is it not the way to elevate the poor and degraded, while it protects the property of the more favored, — is it not the way to make the yeomen of America independent of foreign competition, in the arts and manufactures — *to rid ourselves of an irredeemable depreciated currency?* Are we contented to sit still and perpetuate a curse on ourselves and our posterity, rather than to unite at once, in a well matured plan, to secure the blessings of independence and thrift for us and our descendants?

The first point, then, to be decided is, whether a return to sound currency is an essential prerequisite to a general reduction of prices to their former standard. If this is conceded — the next inquiry is, what can be done to prepare the way for a safe resumption of specie payments; and third, are our rulers and our people willing to make the effort, and endure patiently the discipline and self-denial, that will be requisite to bring the body politic from its present morbid, feverish condition into a quiet, normal, healthy state.

We are aware that an honest difference of opinion exists on this subject; some maintaining earnestly that there is no need of contraction; that the idea of a standard of value is delusive; that our circulation being either the direct promise of Government, or secured by Government bonds, the public are entirely protected beyond peradventure of loss, in holding greenbacks or bills of National Banks; that there is no need of points of redemption or of redemption at all, as one bill is as good as another, and both are as good as gold, for the reason that each represents the faith of the Government, and as long as a bill will buy of C, what B needs, it is as good for A, as gold would be — as that could do no more. In other words — that gold is the last relic of barter, and might as well be swept away. And finally, that the only sure way to be exempt from panics, and to be independent of the ruinous influence of the importation of foreign silks and cloths and wines, is to have a currency of our own, and make the

means of obtaining these costly luxuries a matter of purchase, as of any other commodity, to be regulated by demand and supply; and the advocates of this theory point to the acknowledged fact of the marked depreciation of gold, still in progress — owing doubtless in part to the over production of the mines.

All experience militates against this theory, however specious it may appear. Facts abundantly prove that the vital, industrial interests of the community invariably suffer under the demoralizing influence of a currency which has no intrinsic value, and is not convertible at the will of the holder into that which has value in itself.

When the advocates of this theory are pressed with the destructive influences of a simple paper currency in giving a stimulus to speculation, in raising nominal values, in checking improvements by intimidating capitalists, in depriving the poorer classes of support by the necessarily high cost of labor, — they reply, “*We shall soon grow up to it*, if Congress will *not add* to the currency, we shall ultimately require all that we now have for legitimate, healthy business.” This is somewhat as if a father should send all his sons of various ages to the tailor to have their clothes made by his measure — expecting that they would grow to them.

The truth is, experience is the best teacher; and though the passage down stream is easy, and the return requires a struggle and patient toil, yet it is far better to make the exertion, and bear the self-denial and pain, if need be, to recover a position which all past experience has shown to be a safe one — than to float along, however smoothly, with the certainty that sooner or later we must be dashed upon the rocks.

Depreciation of money, and high prices, should be considered as convertible terms. They may be regarded as cause and effect. Any apparent benefit from the rise of prices must be partial; if *one* is benefitted, *many* are injured; and when the rise becomes general and permanent, the evil is universal. The speculator anticipates gain from spasmodic rise in value,

but if his hopes are realized, others must be the sufferers, as he must act upon the belief that high prices will *not* last, and flatter himself that he shall be able to sell out, before the change comes, and that his dollar will be of as much value after the fall as before. Here is the double fallacy; the speculator appears to thrive at the expense of his victim; but flushed with success, the probability is, that he will invest his profits in that which will surely feel the shrinkage, when a paper dollar becomes reduced to its specie standard.

The true formula, by which to settle the relation of prices to currency may be thus stated: —

Mankind must accommodate each other in the supply of necessary wants, by barter or by purchase. If A has nothing to barter in his trade with B, he must give something to him that will enable B to obtain necessities from C; the article therefore which A gives to B, must have intrinsic value; if he has no such article he must give his own promise, or that of some one else, before he can obtain possession of the goods. This promise is attended with more or less risk, and for this risk the price of the commodity rises in value. Thus, at the period of the greatest expansion of our national currency, gold was measured by two hundred eighty-five per cent for one hundred, while the Confederate dollar was vastly more depreciated.

It is true that gold has fallen more rapidly than the prices of other articles of value. In other words, the appreciation does not correspond with the depreciation. This is well understood, but not easily explained. Various reasons have been suggested. It is notorious that prices have never fallen after long and expensive wars to the level at which they previously ranged: — this was particularly observed after Napoleon's wars. It may be in part explained by the rapid and immense destruction of property and of productive power. But while we concede thus much, we contend that the great disparity of prices rests on the fact, that the currency is depreciated and not convertible, and that prices will not be materially reduced,

except and in so far as the people are satisfied that we are approximating the period, when a paper dollar will purchase a gold dollar.

Our next inquiry relates to what can be done to bring about a resumption of specie payments. Various plans have been suggested. Some financiers recommending hoarding of gold by the Government until the amount in reserve shall reach the sum of two hundred millions, and in the meantime they would counsel no contraction of currency. Others advise an opposite course, and recommend no hoarding of gold, but to sell it, or what is equivalent, let Government take pay for duties in coupons or in greenbacks after retaining a sufficient amount of coin for interest on the public debt.

It would evidently be unwise to fix any definite period for the time of resumption, or to lay down any fixed rule to govern the sale of gold, as to time or amount, or to prescribe that there shall be just so much contraction of the currency in any given period. It would be obviously unjust to *debtors* to hasten resumption so rapidly, as to compel A to pay B \$1.25 or \$1.30 in fact, when he had only received a dollar in value. The subject of resumption was discussed and anticipated in England, for many years after their suspension of specie payments, before even a gradual resumption commenced.

Many evil effects would follow from hasty resumption, as panics, failures, and a general prostration of business, bringing ruin upon the industrial classes, and depriving the people of the means of enduring taxation. Such a state of things would have a tendency to induce threats of repudiation; these in turn would shake public confidence in the stability of our national banking system, and then of our greenbacks, which, after all, are only the breath of public credit, and may be strangled and rendered valueless or comparatively so. Witness for example, the history of the assignats of France, or of the Continental currency of our Revolution.



Our conviction is, that our Government is acting with wisdom in relation to matters of finance. The Secretary of the Treasury has all the power that he needs, and has the disposition and discretion required by the exigencies of our condition. He has a jealous eye for the best welfare of the community ; and while he would not object to any contraction that would drive reckless speculators from Wall street to farming occupations, he will do nothing to interfere with the prudent transactions of trade.

Undoubtedly we are to look for a reduction of prices, and therefore a fall in nominal values — but at the rate at which this is now being accomplished, the effect will be only salutary, by checking wild schemes of making fortunes upon paper, and by teaching the people habits of economy — while it will strengthen the faith of capitalists, and develop solid improvements, thus opening new fields for the employment of labor, and giving increased occupation to the operative classes.

Congress may, and doubtless will, make changes in taxation, so as to reduce the necessary burden to the lowest possible amount, and adjust the taxes in the most equal and tolerable manner ; but let them not agitate the question of an increase of currency, or even indirectly give to the advocates of inflation, and the indefinite continuance of a depreciated currency, the slightest ground of hope that their efforts will be crowned with success.

The final inquiry, and one of the utmost importance is, Are our rulers and people willing and ready to meet the sacrifice that may be requisite, to bring the body politic from its present abnormal state into a sound and healthy condition ? There is much to encourage our people in the brief retrospect. Our nation has hardly finished this fearful struggle, and yet we find, that since August 31, 1865, our indebtedness, then at its highest point, has been reduced \$234,353,119. A more rapid reduction could not be desired, and would be unjust as well as impolitic ; we cannot assent to the opinion

expressed by Mr. Gladstone of England, that it is desirable that the reduction should continue for the time to come in the same proportion.

The late war was not a contest of passion, but of principle ; not for conquest, but for liberty ; not for one generation, but for all time ; not for our country alone, but for all races, for all nations : hence the debt is due from posterity, and no attempt should be made to hasten its payment so rapidly as to cripple or discourage the energies of the people. The discipline required of us is, at once, to inaugurate a system of rigid economy ; to bring the expenses of living within our stated incomes ; to discountenance all attempts of individuals to become rich by speculation and rash adventure ; to content ourselves with moderate gains ; to set our faces as a flint against all attempts to create the artificial semblance of values by a new emission of paper money, — in fine, to urge in every practicable manner upon all our fellow-citizens to uphold their rulers in firm and well directed efforts to bring the promises of the Government to a specie standard, convertible at the pleasure of the holder into *coin*, and thus to secure at the same time and by the same means, such a reduction in the price of the necessities of life, as will react favorably on all classes of the community, and enable them to bear cheerfully the necessary modicum of taxation by self-imposed frugality and retrenchment.

We have faith in our country, and in her manifest destiny. She has a mission for the welfare of mankind ; and if our conduct in the future shall prove our sincerity in the motto, inscribed on our ‘double eagle,’ we cannot fail in the experiment of self-government — “*In God is our trust.*” May His blessing ever attend us.











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